

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE JOINT APPLICATION OF FERN LAKE)	
COMPANY AND THE CITY OF)	
MIDDLESBORO, KENTUCKY, PURSUANT TO)	
THE PROVISIONS OF KRS 278.300)	
SEEKING APPROVAL FOR THE ISSUANCE)	CASE NO. 94-138
OF SECURITIES IMPLEMENTING A)	
REFINANCING PLAN FOR SECURITIES)	
PREVIOUSLY ISSUED BY THE CITY ON)	
BEHALF OF FERN LAKE COMPANY)	

O R D E R

On April 7, 1994, the Fern Lake Company ("Fern Lake") and the city of Middlesboro, Kentucky ("Middlesboro") jointly applied for authority to issue \$1,025,000 of city of Middlesboro (Kentucky) Industrial Building Refunding Revenue Bonds, Series of 1994 ("Series 1994 Bonds") with an interest rate of 6.3 percent per annum for a 10-year term.

The proceeds of this issuance will be used to refund the outstanding city of Middlesboro (Kentucky) Industrial Building Revenue Bonds, dated December 1, 1983 ("Series 1983 Bonds") at a redemption price of 103 percent of the principal amount redeemed.¹ The refinancing will reduce Fern Lake's debt service payments approximately \$5,300 per month, or \$63,600 per year, over the life of the Series 1994 Bonds. In return, Fern Lake will execute an

¹ The proceeds from the issuance of the Series 1983 Bonds was used to finance remedial reconstruction of Fern Lake Dam in Middlesboro, Kentucky.

Amended Loan Agreement and a new Series 1994 Promissory Note with Middlesboro.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that the proposed refinancing plan is for a lawful object within Fern Lake's corporate purpose, is necessary, appropriate for and consistent with the proper performance of its service to the public, and should be approved.

The Commission notes that Fern Lake is currently authorized to assess a monthly surcharge of \$18,700 to service the Series 1983 Bonds. As the proposed refunding will significantly reduce Fern Lake's debt service costs, the Commission expects Fern Lake to revise its tariffs to reflect these lower costs as soon as the Series 1994 Bonds are issued and the new debt service level is known. Once those revisions are effective, the Commission will act to ensure that Aqua/KWS, Inc., Fern Lake's sole customer, passes these savings to its ratepayers.

IT IS THEREFORE ORDERED that:

1. The proposed refinancing plan is approved.
2. Middlesboro is authorized to issue on Fern Lake's behalf \$1,025,000 of Series 1994 Bonds at an interest rate not to exceed 6.3 percent per annum.
3. Fern Lake is authorized to enter into all necessary agreements to effectuate the proposed refinancing plan. Fern Lake shall agree only to such terms that will result in a positive net

present value savings and which are consistent with the terms set out in its application.

4. Fern Lake shall, within 30 days of issuance of the Series 1994 Bonds, file a written report with the Commission which sets forth the date or dates of issuance of the securities, the price paid, the interest rate, the purchasers, and all fees and expenses, including underwriting discounts or commissions, or other compensation involved in the issuance and distribution.

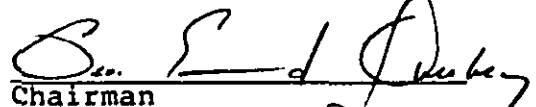
5. Within 30 days of the issuance of Series 1994 Bonds, Fern Lake shall revise its existing surcharge to reflect its lower debt service payments.

6. The proceeds from the transactions authorized herein shall be used only for the lawful purposes set out in the application.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 27th day of April, 1994.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director